

Protecting Your Finances - If a Disaster Strikes: Are You Prepared?

Ferocious storms, earthquakes and other disasters rarely give advance warning and can happen anytime. Whether a natural catastrophe strikes an entire community or a fire destroys a single home, the consequences for the survivors can be traumatic, including severe financial losses from uninsured property, the destruction of vital documents and temporary disruptions in the ability to work or conduct essential transactions.



"Even if natural disasters have not impacted your community in recent memory, it's important to have a plan for what you would do if a tragedy strikes and you couldn't live in your home or go to work for quite a while," said Luke W. Reynolds, Acting Associate Director of the Community Affairs Branch at the FDIC.

What about you? Are your most important possessions insured and your financial documents protected from ruin? And if you had only a few moments to evacuate your home and could not return for several days or even weeks, would you have access to cash, banking services and the personal identification you need to conduct your day-to-day financial life? Here are tips from ***FDIC Consumer News***.

Anticipate What Could Go Wrong

Think about the most likely hazards and plan accordingly. "For example, some communities are more likely to be affected by a flood or an earthquake, and preparing for each situation would be different," said Jo Ann Wilkerson, a Senior Community Affairs Specialist at FDIC.

Your state or local office of emergency management may be especially helpful. Find out if your city or county offers a service that will send you a text message or an e-mail warning at the first sign of an imminent storm or other hazard that might require you to evacuate. Also see what tips and recommendations they may have on preparing for a disaster.

Periodically review all your insurance coverage. "That includes homeowner's or renter's insurance and car insurance," said Wilkerson. "Find out what is and is not covered by your policies." For example, the typical homeowner's insurance policy does not cover damage caused by floods or earthquakes, and it may be prudent to purchase extra coverage for hazards such as these, even if not required by your lender. The idea is to have enough coverage to take care of damage to your house, cars and other valuable property and provide for temporary lodging.

Keep records of your personal property and the estimated value; check with your insurance agent to make sure you have adequate coverage. Consider taking a video or photos of your property. This documentation will come in handy if you need to file a claim. For additional guidance on how to create a home inventory, see suggestions from the National Association of Insurance Commissioners at www.insureuonline.org/home_inventory_page.

Take advantage of direct deposit. Having your paycheck or other payments automatically sent to your account will ensure that you can access the funds quickly, without the risk of having a check lost, delayed or stolen.

Consider establishing computer or smartphone access to your banking account. These services can enable you to manage your finances online from anywhere, without writing checks.

Build or maintain an emergency savings fund. Because a disaster may affect your ability to earn income, savings can help you through any difficult financial period without taking out a loan or borrowing from retirement savings. Experts say emergency savings should equal at least three to six months of living expenses. "Remember, there is no safer place for your funds than in an FDIC-insured institution," Reynolds said. (See [Banks Are Required to Prepare for Disasters](#).)

What To Have Ready

Consider keeping the following items in a secure place and readily available.

- **Identification and other key documents that may be needed to restore your financial records.** These include copies of driver's licenses (or state identification cards for non-drivers), Social Security cards, passports, birth certificates, insurance cards (or other proof of insurance coverage), and your inventory of personal property.
- **ATM/debit cards and credit cards.** You may want to keep copies of the front and back of your cards in an emergency evacuation bag or box (see next column) in case you are unable to access your actual cards.
- **Phone numbers and account information at your financial services providers.** This information for the bank, credit card companies, brokerage firms and insurance companies you do business with will be helpful if you need to replace lost cards or documents or request other assistance.

What To Keep Where

Here is a strategy that works well for many people:

Make backup copies of important documents. This also includes your home inventory records. You can make paper copies, but also consider scanning these records and storing the images away from home, perhaps by e-mailing them to yourself at a secure account that you could access anywhere or using a fee-based, online storage service. Let loved ones know where to locate originals and copies.

Decide what should or should not be kept in your bank's safe deposit box. This service is best for important documents and items that will be difficult or impossible to replace, but think twice before using one for anything you may need immediate access to, such as passports and originals of powers of attorney. However, be aware that home safes are not as secure as safe deposit boxes. "A burglar could more easily break into your home, force you to open the safe or haul off the entire safe and access the contents than get inside your safe deposit box," Reynolds said.

Also, seal any important documents, including those in bank safe deposit boxes, in airtight and waterproof plastic bags or containers in case of a major flood or other water damage. For guidance on where to store your original will, check with an attorney about what is required or recommended under state law.

Consider preparing one or more emergency evacuation bags or boxes. Most of what you are likely to pack inside will be related to personal safety (flashlights, first aid kits, prescription medications to last several days). Also include essential financial items and documents, including some cash and checks, copies of your current credit cards and identification cards, a key to your safe deposit box, and contact information for your financial services providers. This kit should be waterproof, easy to carry and kept secure.

Take precautions against identity theft. Start by protecting the debit and credit cards and IDs (or copies) in your evacuation kit. "First, keep your evacuation container in a secure place in your home," said Wilkerson. "Second, because a natural disaster can result in everything in your house getting scattered for miles, these containers should be portable and securely locked."

For additional guidance on how to prepare financially for many types of disasters, see [Disaster Preparedness: Sources of Help](#). Also see tips from the FDIC on avoiding identity theft in general at www.fdic.gov/consumers/consumer/alerts/theft.html.

And for tips on how to protect against fraud after a disaster strikes, see [Beware of Disaster-Related Financial Scams.](#)